

## Message Text

CONFIDENTIAL

PAGE 01 CAIRO 13090 01 OF 02 180931Z  
ACTION EB-08

INFO OCT-01 NEA-11 ISO-00 FAA-00 XMB-02 CAB-02 CIAE-00  
COME-00 DODE-00 DOTE-00 INR-10 NSAE-00 L-03 AID-05  
TRSE-00 OMB-01 /043 W  
-----014020 180936Z /11  
R 171603Z MAY 78  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 9253  
INFO AMEMBASSY ROME

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 13090

DEPARTMENT PASS EXIM BANK

ROME FOR RCAA

FOR ASSISTANT SECRETARY SAUNDERS FROM AMBASSADOR

E.O. 11652: GDS  
TAGS: EAIR, EAID, EG  
SUBJ: EGYPTAIR'S ACQUISITION PLANS FOR WIDE-BODIED  
- AIRCRAFT

REF: (A) CAIRO 11243, (B) ROME 7410, (C) CAIRO 11709,  
- (D) ROME 7784

1. LOCKHEED REGIONAL SALES DIRECTOR ROGER SHARR CALLED ON  
AMBASSADOR MAY 16 TO BRIEF HIM ON CURRENT STATE OF PLAY IN  
EGYPTAIR'S REQUEST FOR PROPOSALS FOR PURCHASE OF WIDE-  
BODIED AIRCRAFT. ACCORDING SHARR, EGYPTAIR'S REQUEST  
FOR PROPOSALS REQUIRES COMPLIANCE BY EARLY JUNE.  
LOCKHEED, BOEING, DOUGLAS AND AIRBUS INDUSTRY HAVE BEEN  
ASKED TO SUBMIT PROPOSALS. EGYPTAIR'S INITIAL PLANS CALL  
FOR ACQUISITION OF THREE WIDE-BODIED AIRCRAFT IN 1978. IN  
ADDITION, FORECASTS WHICH LOCKHEED, AND PRESUMABLY OTHERS,  
HAVE MADE SHOW THAT EGYPTAIR WILL REQUIRE EIGHT WIDE-  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 13090 01 OF 02 180931Z

BODIED AIRCRAFT BY 1983. THIS WILL MEAN A TOTAL SALES  
POTENTIAL OF APPROXIMATELY \$400 MILLION. SHARR EXPLAINED  
THAT, BASED ON INFORMATION WHICH EGYPTAIR SUPPLIED LOCKHEED"  
FOR ITS COMPUTER ANALYSIS, EGYPTAIR IS RELATIVELY VIABLE  
AIRLINE AT THE MOMENT. FAVORABLE LEASING ARRANGEMENTS FOR  
TWO A-300 AIRBUSSES HAS ENABLED EGYPTAIR TO DEMONSTRATE  
VALUE OF WIDE-BODY CAPACITY.

2. LOCKHEED REPRESENTATIVE DESCRIBED EGYPT AS LAST MAJOR POTENTIAL MARKET FOR U.S. AIRCRAFT INDUSTRY IN MIDDLE EAST. HE SAID EGYPTAIR'S DECISION ON AIRCRAFT IN 1978 WILL PROBABLY INFLUENCE ITS FUTURE DECISIONS ON ACQUISITION OF AIRCRAFT, CITING GENERALLY-ACCEPTED UTILITY OF AIRLINE INDUSTRY'S "FAMILY" PRINCIPLE IN WHICH FLEET CONTAINS DIFFERENT MODELS FROM SAME MANUFACTURER. EGYPTAIR'S DECISION COULD ALSO INFLUENCE OTHER AIRLINES IN THE AREA, E.G., ALIA, IN THEIR CONTEMPLATED WIDE-BODY ACQUISITION. SHARR NOTED EGYPTAIR CURRENTLY HAS TWO A-300 AIRCRAFT WHICH ARE PERFORMING VERY WELL ON ITS CURRENT ROUTES; A-300 IS THEREFORE PRESUMED TO HAVE AN INSIDE TRACK IN CURRENT COMPETITION. LOCKHEED'S OPINION, HOWEVER, IS THAT EGYPTAIR PLANNERS WOULD LIKE TO LOOK BEYOND CURRENT TWO OR THREE YEAR PERIOD, WHEN A-300 TYPE AIRCRAFT IS PROBABLY BEST FOR AIRLINE, TO THE TIME IN EARLY 1980'S WHEN EGYPTAIR WILL EXPAND ITS ROUTE SYSTEM AND NEED LONGER-RANGE AIRCRAFT. LOCKHEED BELIEVES THAT ITS TRISTAR CAN PROVIDE CURRENT SHORT-RANGE CAPABILITY, AS WELL AS PROVIDE EXPANDED LONG-RANGE OPTION THAT WILL BE NEEDED IN NEXT 3-5 YEARS. LOCKHEED THUS BELIEVES THAT IT HAS GOOD CHANCE TECHNICALLY TO CONVINCE EGYPTAIR OF VALUE OF PURCHASING AMERICAN AIRCRAFT IN 1978.

3. SHARR POINTED OUT, HOWEVER, LOCKHEED'S MAJOR PROBLEM IS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 13090 01 OF 02 180931Z

FINANCING. AIRBUS INDUSTRIE WILL UNDOUBTEDLY OFFER VERY FAVORABLE FINANCIAL TERMS IN ORDER TO ATTRACT EGYPTAIR'S BUSINESS. SHARR CITED RECENT DEALS WITH IRAN, SOUTH AFRICA AND INDIA WHERE SALE OF A-300'S WAS LINKED WITH OTHER FRENCH AND GERMAN GOVERNMENT (SOMETIMES MILITARY) PURCHASES AND THAT INTEREST RATES WERE VERY FAVORABLE. SHARR BELIEVES, THEREFORE, THAT ONE CRUCIAL ELEMENT IN EGYPTAIR'S DECISION WILL BE AVAILABLE FINANCING.

4. AS INDICATION OF CURRENT CONFIDENCE IN EGYPTAIR'S OPERATING CAPACITY, SHARR INFORMED AMBASSADOR THAT CITIBANK HAS OFFERED EGYPTAIR COMMERCIAL FINANCING FOR WIDE-BODY PURCHASE. CITIBANK REPORTEDLY BELIEVES THAT EGYPTAIR TAKEN AS ENTITY IS VIABLE AND GROWING CONCERN AND THAT BANK SHOULD ENCOURAGE SUCH PERFORMANCE BY OFFERING PROSPECT OF EXPANSION. CITIBANK'S CONDITIONS, HOWEVER, WOULD NECESSARILY BE SHORT-TERM (FIVE YEARS) AND AT STANDARD RATES OF INTEREST. CITIBANK RES REP DUNTON HAS CONFIRMED OFFER TO US. HE SAID HE BELIEVES HE COULD PUT TOGETHER CONSORTIUM DEAL BASED ON ARRANGEMENTS WHICH WOULD ALLOW EGYPTAIR TO SERVICE LOAN DIRECTLY FROM REVENUES AND WITHOUT CENTRAL BANK GUARANTEE. LOCKHEED BELIEVES THAT

TERMS COULD BE CONSIDERABLY IMPROVED WITH EXIM PARTICIPATION AND THAT EVEN THOUGH THEY MIGHT NOT BE SPECIFICALLY COMPETITIVE WITH ARRANGEMENTS AIRBUS INDUSTRIE IS OFFERING, EXIM PARTICIPATION WOULD BRING DEAL WITHIN RANGE OF POSSIBLE, CONSIDERING OTHER TECHNICAL FACTS, E.G., THAT U.S. WIDE-BODIES WOULD PROVIDE POTENTIAL RANGE NEEDED BY EGYPTAIR IN 1980'S.

5. COMMENT: WHILE EMBASSY IS FULLY AWARE OF EXIM'S CURRENT POLICY TOWARD EGYPT, BELIEVE POTENTIAL BENEFIT OF SALE OF AMERICAN WIDE-BODIED AIRCRAFT TO EGYPTAIR, WITH ITS IMPLICATIONS FOR LONG-TERM TECHNICAL COOPERATION AND ITS POTENTIAL INFLUENCE ON ACQUISITION IN ME AREA, INDICATES THAT SPECIAL ATTENTION SHOULD BE GIVEN TO THIS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 13090 01 OF 02 180931Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 CAIRO 13090 02 OF 02 180715Z  
ACTION EB-08

INFO OCT-01 NEA-11 ISO-00 XMB-02 CAB-02 CIAE-00  
COME-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00  
L-03 AID-05 TRSE-00 OMB-01 /043 W  
-----011812 180936Z /11

R 171603Z MAY 78  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 9254  
INFO AMEMBASSY ROME

C O N F I D E N T I A L SECTION 02 OF 02 CAIRO 13090

PARTICULAR ASPECT QUITE APART FROM OTHER EXIM CONSIDERATIONS RE FINANCING EXPORTS OF AMERICAN GOODS TO EGYPT. WE FIND COMMERCIAL BANK CONFIDENCE IN EGYPTAIR ENCOURAGING. EMBASSY SUGGESTS DEPARTMENT AND EXIM INITIATE SPECIAL DECISION-MAKING PROCESS WITH REGARD TO FINANCING FOR WIDE-BODY ACQUISITION BY EGYPTAIR. WE ARE READY TO PROVIDE ANY INFORMATIONAL ASSISTANCE NECESSARY AND POSSIBLE IN ADDITION TO REFS A AND B. EILTS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, COMMERCIAL AIRCRAFT, PROPOSALS (BID)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978CAIRO13090  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780209-0314  
**Format:** TEL  
**From:** CAIRO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780551/aaaabqwy.tel  
**Line Count:** 169  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** b42c3e9c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 CAIRO 11243, 78 ROME 7410, 78 CAIRO 11709  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 15 jun 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2670460  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EGYPTAIR'S ACQUISITION PLANS FOR WIDE-BODIED - AIRCRAFT  
**TAGS:** EAIR, EAID, EG, AIRBUS, LOCKHEED AIRCRAFT, BOEING AIRCRAFT CO, DOUGLAS AIRCRAFT CO  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/b42c3e9c-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014